

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, California 95814

INITIAL STATEMENT OF REASONS

**July 1, 2009 Workers' Compensation Claims Cost Benchmark
and Pure Premium Rates**

File No. REG-2009-00015

The California Insurance Commissioner will consider (1) approval of the Workers' Compensation Claims Cost Benchmark and advisory pure premium rates developed by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB") as a rating organization on behalf of its member insurers and (2) approval of amendments to the California Workers' Compensation Experience Rating Plan—1995, Title 10 CCR §2318.6 as proposed by the WCIRB as the Insurance Commissioner's designated statistical agent. The hearing will be held in response to a filing by the WCIRB submitted on March 27, 2009.

SPECIFIC PURPOSE AND NECESSITY

Pursuant to Insurance Code Sections 11750 and 11750.3, the WCIRB has developed and submitted for Insurance Commissioner's approval pure premium rates for its member insurers. Pursuant to Insurance Code Sections 11734 and 11751.5, the Insurance Commissioner has designated the WCIRB as his statistical agent. As the designated statistical agent, the WCIRB has filed revisions to the California Workers' Compensation Experience Rating Plan—1995 for approval. The pure premium rates will be advisory only; however, adherence to the regulations contained in the California Workers' Compensation Experience Rating Plan—1995 is mandatory.

The pure premium rates as well as amendments to the California Workers' Compensation Experience Rating Plan—1995 recommended by the WCIRB to be effective July 1, 2009 are detailed in the WCIRB's filing and summarized below.

APPROVE CLAIMS COST BENCHMARK AND PURE PREMIUM RATES

Pursuant to California Insurance Code Section 11750.3, the WCIRB has proposed advisory pure premium rates for approval by the Insurance Commissioner to be effective July 1, 2009 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2009. The corresponding overall pure premium rate level change or claims cost benchmark is 24.4% greater than the claims cost benchmark approved by the Insurance Commissioner to be effective January 1, 2009. The proposed advisory pure premium rates for each of the 497 standard classifications are 24.4% higher than the pure premium rates effective January 1, 2009.

AMEND THE CALIFORNIA WORKERS' COMPENSATION EXPERIENCE RATING PLAN—1995

The WCIRB recommends that the following amendments to the California Workers' Compensation Experience Rating Plan—1995 (Experience Rating Plan) be approved effective July 1, 2009 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2009.

The WCIRB recommends that:

1. Amend Section I, *General Provisions*, Rule 2, *Effective Date*, to show that the effective date of the amended Experience Rating Plan is 12:01 A.M., July 1, 2009.
2. Amend Section III, *Eligibility and Experience Period*, Rule 1, *Eligibility Requirements for California Workers' Compensation Insurance*, to adjust the experience rating eligibility threshold from \$15,700 to \$19,531 to reflect the proposed 24.4% increase in the overall pure premium rate level.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of these proposed changes and amendments will not mandate the use of specific technologies or equipment.

IDENTIFICATION OF STUDIES, REPORTS, OR DOCUMENTS

The Commissioner did not consider any studies, reports, or documents in promulgating these proposed changes or amendments other than the information provided by the WCIRB in its filing. However, the Commissioner may consider studies, reports, or documents submitted by the WCIRB, requested of the WCIRB by the Commissioner or his staff, or submitted by any interested person.

REASONABLE ALTERNATIVES

The Commissioner has determined that no reasonable alternatives exist to carry out the proposed changes and amendments and that there are no reasonable alternatives that would lessen the impact on small business.

ASSESSMENT OF SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

The Commissioner has determined that it is unknown whether there will be a significant adverse economic impact on business as a result of the proposed changes to the pure premium rates. Adjustments to the pure premium rates and claims cost benchmark are advisory only, and it is left to workers' compensation insurers to determine what adjustments to make to their own rates. The Commissioner has determined that changes and amendments to the regulations contained in the California Workers' Compensation Experience Rating Plan—1995 will not have a significant adverse economic impact on business based upon the information provided by the WCIRB in its filing.

PRE-NOTICE PUBLIC DISCUSSIONS

The Commissioner has not conducted Pre-Notice Public Discussions; however, the WCIRB has conducted public meetings regarding these proposed changes and amendments.